



## **Cameco Corporation**

# **2022 First Quarter Results Conference Call Transcript**

**Date:** May 5, 2022

**Time:** 8:00 AM ET

**Presenter:** **Rachelle Girard**  
Vice-President, Investor Relations, Treasury and Tax

**Tim Gitzel**  
President and Chief Executive Officer

**Grant Isaac**  
Senior Vice-President and Chief Financial Officer

**Sean Quinn**  
Senior Vice-President, Chief Legal Officer and Corporate Secretary

**Brian Reilly**  
Senior Vice-President and Chief Operating Officer



**OPERATOR:**

Welcome to the Cameco Corporation First Quarter 2022 Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions.

I would now like to turn the conference over to Rachelle Girard, VP, Investor Relations, Treasury and Tax. Please go ahead.



## Forward-Looking Information Caution

This presentation includes forward-looking information or forward-looking statements under Canadian and US securities laws, which we refer to as forward-looking information. This information about our expectations for the future is based upon our current views, which can change significantly, and actual results and events may be significantly different from what we currently expect. Examples of forward-looking information that may appear in this presentation include our expectations regarding uranium demand, supply, consumption, prices, long-term contracting, production and our ability to meet delivery commitments; the outcome of litigation or other disputes; our future plans, strategies and outlook; our objectives regarding contributing to a net-zero carbon emission target and other environmental, social and governance goals. Material risks that could lead to a different result include: unexpected changes in uranium supply or demand, our production, purchases, sales, costs, taxes, our mineral reserve and resource estimates, prices or availability of secondary supply, spot and long-term contract prices, currency exchange rates, or government regulations or policies; the risk of litigation or arbitration claims against us that have an adverse outcome, including tax disputes; the risk that our contract counterparties may not satisfy their commitments; we may face disruptions to our operations, workforce, required supplies or services as a result of social, economic or health developments, including the COVID-19 pandemic; we may face unexpected challenges in addressing environmental, social and governance risks and opportunities; the risk that our strategies may be unsuccessful or have unanticipated consequences; and the risk our estimates and forecasts prove to be inaccurate. In presenting this information, we have made material assumptions which may prove incorrect about: uranium demand, supply, consumption, long-term contracting and prices; our production, purchases, sales, and costs; taxes and currency exchange rates; market conditions and other factors upon which we have based our future plans and outlook; the success of our plans and strategies; the agreement of our partners with our plans and strategies; the accuracy of our estimates; the absence of new and adverse government regulations or policies; the successful outcome of any litigation or arbitration claims against us, including tax disputes; our ability to successfully manage operational and other impact of any disruption resulting from social, economic or health developments, including the COVID-19 pandemic; our ability to address ESG risks and opportunities successfully; and our ability to complete contracts on the agreed-upon terms. Please also review the discussion in our most recent annual MD&A, any subsequent quarterly MD&A and our most recent annual information form for other material risks that could cause actual results to differ significantly from our current expectations and other material assumptions we have made. Forward-looking information is designed to help you understand management's current views of our near- and longer-term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

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### **RACHELLE GIRARD:**

Thank you, Operator, and good morning, everyone. Welcome to Cameco's First Quarter Conference Call.

I would like to acknowledge that we are on Treaty 6 territory and the homeland of the Métis.

Today's call will focus on the trends we are seeing in the market and on our strategy. As always, our goal is to be open and transparent with our communications. Therefore, if you have detailed questions about our quarterly financial results, or should your questions not be addressed on this call, we will be happy to follow up with you after the call.

There are a few ways to contact us. You can reach out to the contacts provided in our news release, you can submit a question through the Contact tab on our website, or you can use the ask-a-question form at the bottom of the webcast screen, and we will be happy to follow up after this call.



With us today on the call are Tim Gitzel, President and CEO; Grant Isaac, Senior Vice-President and CFO; Brian Reilly, Senior Vice-President and Chief Operating Officer; Alice Wong, Senior Vice-President and Chief Corporate Officer; and Sean Quinn, Senior Vice-President, Chief Legal Officer and Corporate Secretary.

I'm going to hand it over to Tim to talk about the long-term fundamentals for our industry, the current market dynamics, and about Cameco's strategy to add long-term value. After, we will open it up for your questions.

If you joined the conference call through our website event page, there are slides available, which will be displayed during the call. In addition, for your reference, our quarterly investor handout is available for download in a PDF file on our website at [cameco.com](http://cameco.com).

Today's conference call is open to all members of the investment community, including the media. During the Q&A session, please limit yourself to two questions and then return to the queue.

Please note that this conference call will include forward-looking information which is based on a number of assumptions and actual results could differ materially. Please refer to our Annual Information Form and MD&A for more information about the factors that could cause these different results and the assumptions we have made.

With that, I will turn it over to Tim.

**TIM GITZEL:**

Well, thank you, Rachele, and welcome to everyone. We appreciate you joining us on our call today.

I want to start today by expressing our shock and sadness with the events taking place in Ukraine and our solidarity and support for the Ukrainian people. I had the opportunity to have a video conference yesterday with our Ukrainian customers in Kyiv. In which time, I thank them for the courage and resilience they've shown over the past several months. We can only hope and pray for a speedy resolution of this unnecessary conflict.

## Favourable Uranium Market Fundamentals Cameco Strategically Positioned



		
Growing Demand	Uncertain Supply	Cameco in Pole Position
<p>Global focus on:</p> <ul style="list-style-type: none"> <li>• electrification</li> <li>• decarbonization</li> <li>• country net-zero targets</li> <li>• company net-zero targets</li> <li>• Energy security</li> <li>• infrastructure investments</li> </ul>	<ul style="list-style-type: none"> <li>• Planned supply curtailments</li> <li>• Unplanned supply disruption</li> <li>• Underinvestment in existing capacity</li> <li>• Underinvestment in new capacity</li> <li>• Decreasing secondary supply</li> <li>• Geopolitical and trade policy risk</li> </ul>	<p>Strategy to capture full-cycle value</p> <ul style="list-style-type: none"> <li>• Idled tier-one &amp; tier-two capacity</li> <li>• Long-term contract portfolio</li> <li>• Operational flexibility</li> <li>• Project pipeline – leverage brownfield infrastructure</li> <li>• More than mining – vertical integration</li> </ul>

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Last quarter, we indicated that we believe we were in the early innings of a security of supply driven market transition demonstrated by our contracting success, a growing pipeline of discussions with our customers and rising uranium prices, a transition supported by the fundamentals. Fundamentals characterized by durable, full-cycle demand against the backdrop of an uncertain supply picture.

Stemming from these fundamentals and our contracting success, we had the confidence to proceed with the next phase of our supply discipline, which is now well underway. I'll provide some details on that a bit later.

What we didn't know when we made our decision to proceed with the next phase of our supply discipline was the pace of change that would occur in our industry because of geopolitical events that are further amplifying security of supply concerns. It's still early days, but we are seeing what we believe is an unprecedented geopolitical realignment occurring in the nuclear fuel cycle.



Thanks to the strategic and deliberate decisions Cameco was made over the past decade, the Company is extraordinarily well positioned in this rapidly changing market, but as always, we will take a balanced and disciplined approach. Let's look at the changes in our market in more detail starting with demand.

We've talked before about how the benefits of nuclear energy have come clearly into focus with a durability that we believe has not previously been seen. A durability that is being driven by the accountability for achieving the net zero carbon targets being set by countries and companies around the world. I saw a figure just the other day that 90% of the world's economy is now covered by net zero targets. Net Zero targets that are turning attention to a triple challenge.

**Net-zero Carbon Targets Triple Challenge**



		
Energy Poverty	Thermal Replacement	Electrifying Industry
<ul style="list-style-type: none"><li>Lift 1/3 of the global population out of energy poverty</li></ul>	<ul style="list-style-type: none"><li>Replace 85% of grid running on carbon-emitting thermal power with a clean, reliable alternative</li></ul>	<ul style="list-style-type: none"><li>Electrify industries, such as private and commercial transportation, largely powered by carbon-emitting thermal energy today</li></ul>

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First, is to lift one-third of the global population out of energy poverty by expanding the availability of clean and reliable baseload electricity. Second is to replace 85% of the current global electricity grids that run on carbon emitting thermal power, with a clean, reliable alternative. Finally, the challenge is to grow global power grids by switching industries to electricity, such as private and commercial transportation, home and industrial heating, which today are largely powered with carbon-emitting thermal energy.

If that wasn't challenging enough, we can add to the list solving the energy crisis experienced in some parts of the world while pivoting away from reliance on Russian energy without jeopardizing those net zero commitments. Therefore, not surprising that concerns about energy security are amplified and at the top of the list for many countries, creating further pressure for governments to re-examine their energy policy decisions.



Policy makers around the world are recognizing that in their drive for a clean energy profile, they have forgotten to balance their other objectives like providing an affordable levelized cost profile, providing a reliable and secure baseload profile. Too much focus on intermittent weather dependent renewable energy has left some jurisdictions struggling with power shortages and spiking energy prices, or a dependence on Russian energy supplies.

The good news for us is that, in their quest to restore balance or pivot away from Russia, many are turning now to nuclear. Nuclear power fits nicely at the centre of that policy triangle providing safe, affordable carbon free baseload electricity that has a clean emissions profile, but also being reliable and secure.



Which is why, in the U.S., the Biden Administration just announced a \$6 billion effort to secure nuclear power plants at risk of closing. Something I never thought possible, just a few years ago, the governor of California announced that he will seek funding under this plan to prevent the closure of Diablo Canyon.

That's why in the British energy security strategy released in early April the United Kingdom outlined its plans to reduce dependence on Russian oil and natural gas by building eight new nuclear plants. One new plant a year, as we heard the British prime minister say this week. It's why recently re-elected president Emmanuel Macron of France committed to 14 new reactors and life extensions for its existing fleet.

Also, why the European Commission accepted nuclear energy in its green energy taxonomy. It's why recently elected President Yoon of South Korea plans to reverse the nuclear phase out policy of the previous government and stated that nuclear energy should be the baseload electricity source in South Korea for the next 60 years and that South Korea should export its technology outside of its borders. Why we've seen Belgium announced plans for 10-year life extensions for its two newest reactors.





And that Germany, yes, even Germany, in fact, could reconsider its own nuclear phase out plans. The growth in demand is not just long term in the form of new builds, it is full-cycle demand.

The slide is titled "Uranium Market Fundamentals 'Best Ever'" and features the Cameco logo and tagline "Energizing a clean-air world". It is divided into two main sections: "Producers" and "Uranium Customers". The "Producers" section, on the left, is set against a background of a uranium mine and lists "Durable demand" factors: decarbonization & electrification, energy security, ESG focus, traditional demand improvements, and non-traditional demand (SMRs and advanced reactors). It also notes that demand is driven by financial investors. The "Uranium Customers" section, on the right, is set against a background of nuclear reactors and lists "Uncertain supply" factors: low prices caused by supply curtailment, end of reserve life, and lack of investment; COVID & global supply chain challenges; and "Origin risk" (geopolitical & trade policy issues) and "Development risk" (unproven assets, cost inflation, and schedule delays). A large arrow points from the "Producers" section to the "Uranium Customers" section, with the text "Risk is shifting to" above it.

**Uranium Market Fundamentals**  
**"Best Ever"**

**Producers**

**Durable demand:**

- Decarbonization & electrification
- Energy security
- ESG focus creating electron accountability
- Traditional demand improving (near, mid, long-term)
- Non-traditional demand (SMRs and advanced nuclear reactors)

**Demand from financial investors driven by intrinsic value of clean energy uranium**

**Uranium Customers**

**Risk is shifting to**

**Uncertain supply:**

- Low prices caused:
  - Supply curtailment
  - End of reserve life
  - Lack of investment in supply
- COVID & global supply chain challenges

**Origin risk:** geopolitical & trade policy issues

**Development risk:** unproven assets, cost inflation & schedule delays from COVID & global supply chains, increasing regulatory and ESG scrutiny, inflation

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There is near-term growth as early reactor retirements are prevented and there's medium-term demand in the form of reactor life extensions. There's also a momentum building for non-traditional commercial uses of nuclear power around the world, such as development of small modular reactors and advanced reactors, with numerous companies and countries pursuing projects.

Things are moving very quickly in our industry, and we're seeing countries and companies turn to nuclear with an appetite that I'm not sure I've ever seen in my four decades in this business. Therefore, it's easy to conclude that the demand outlook is durable and very bright.

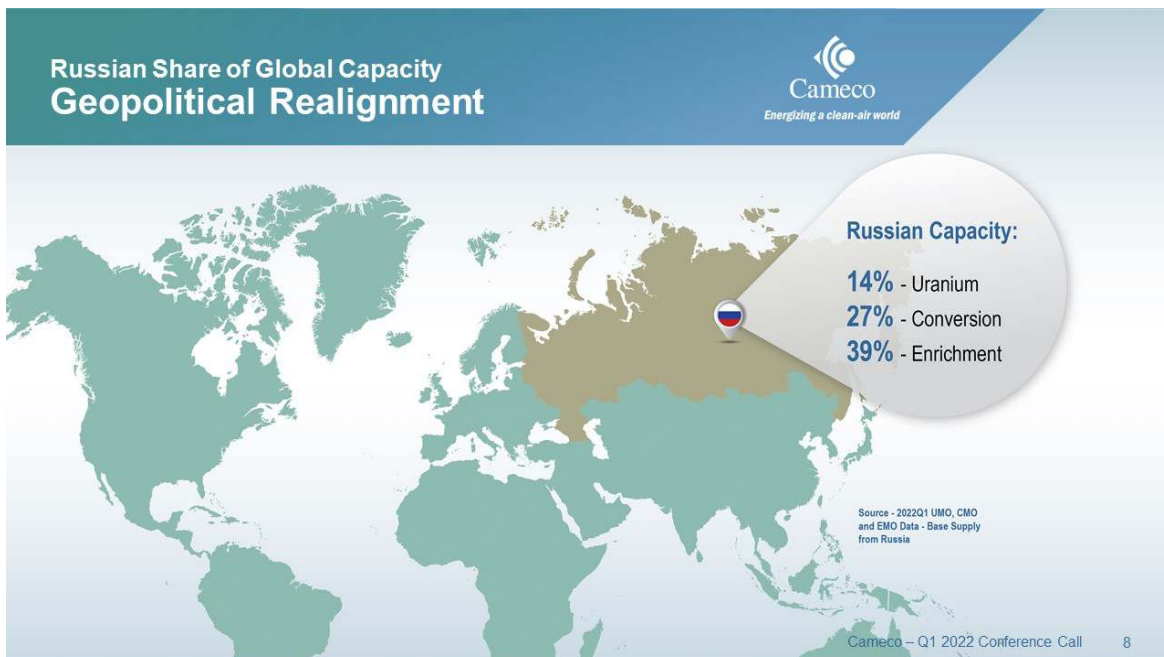
Supply is quite a different picture. For some time now, we've said that we believe the uranium market was as vulnerable to supply shock as it has ever been due to persistently low prices. Low prices that have led to planned supply curtailments of existing productive capacity, development risks due to lack of investment in new productive capacity, the end of reserve life



for some mines, the deepening geopolitical and origin risk driven by the increasing concentration of supply, and the trend toward regionalization to ensure the availability of critical minerals.

Unlike in the past, we don't have the same stock of secondary supplies to fill the gap. After years of drawing on these one-time sources, the secondary supply capacity is now declining significantly into the future, and productive capacity is not poised to respond. These fundamental facts have been amplified by both unplanned supply disruptions caused by the COVID-19 pandemic and by global supply chain and inflationary challenges that are not only interrupting the flow of goods and services in the uranium market but also increasing costs.

I was at a meeting of business leaders just the other day where it was said that if you have a feasibility study that is more than a few months old, you might as well toss it and start over. Supply challenges have been further intensified by the thinning of the spot market due to the interest in physical uranium by investors. Particular, I'm referring to the Sprott uranium trust, that are purchasing significant volumes of uranium and sequestering it. By the increasing ESG scrutiny of utilities to ensure their supply chains meet the standards for all three factors. By the unrest in Kazakhstan in early January, that raised concerns about the security of about 45% of global uranium supply.





Then in February, the tragic Russian invasion of Ukraine, which sent a shiver down the spines of nuclear fuel buyers around the world. Currently, the global nuclear industry relies on Russia for approximately 14% of its supply of uranium concentrates, 27% of conversion supply and 39% of enrichment capacity.

Many jurisdictions have imposed strict economic sanctions on Russia, including Canada, the United States, the European Union, and the United Kingdom, among others. In addition to economic sanctions, many countries including the U.S. have sanctioned or are considering sanctioning imports of Russian energy, including oil, natural gas and coal.

With the continued conflict, there's also growing uncertainty about the ability to continue to rely on nuclear fuel supplies coming out of Russia, whether as a result of sanctions, or because of a conflict with company values. In fact, we've seen some utilities voluntarily pivot away from Russian fuel supplies, because they recognize the incongruity with their values and ESG principles.

From our perspective, it's not a matter of if Western markets will turn their backs on Russian nuclear fuel supply, but rather when and how quickly. Of course, there's also the risk that Russia pre-empts any actions by Western markets, imposing its own voluntary export restraints in retaliation for economic and other sanctions, as we've seen them do with gas in parts of Europe. Then there's the uncertainty about the ability to ship uranium through Russian ports or the Black Sea, which could affect not only Russian supply but also deliveries from Central Asia.

While it is still technically possible to ship through Russia, due to insurance and other reasons, we've decided to delay a near term delivery from Inkai and Kazakhstan while we work with our partner to establish an alternate shipping route. This could take some time, but we have the ability to mitigate the risk with inventory, long-term purchase commitments and loans, if necessary. It's still early days, and utilities are working their way through their fuel supply chains to determine where their vulnerabilities are. Already, we're seeing some utilities begin to pivot toward procurement strategies that more carefully weigh the origin risk.



Looking at where the market is today and the growing risks to supply and origin of supply, it's easy to conclude that the current nuclear fuel market is more positive than we have seen in a very long time. So, let me turn to Cameco and our response to the changes in the market.



As a commercial supplier, our decisions have uniquely positioned the Company to capitalize on the increasingly undeniable conclusion that nuclear power must be an essential part of the clean energy transition, and even more so in a world where origins matter.

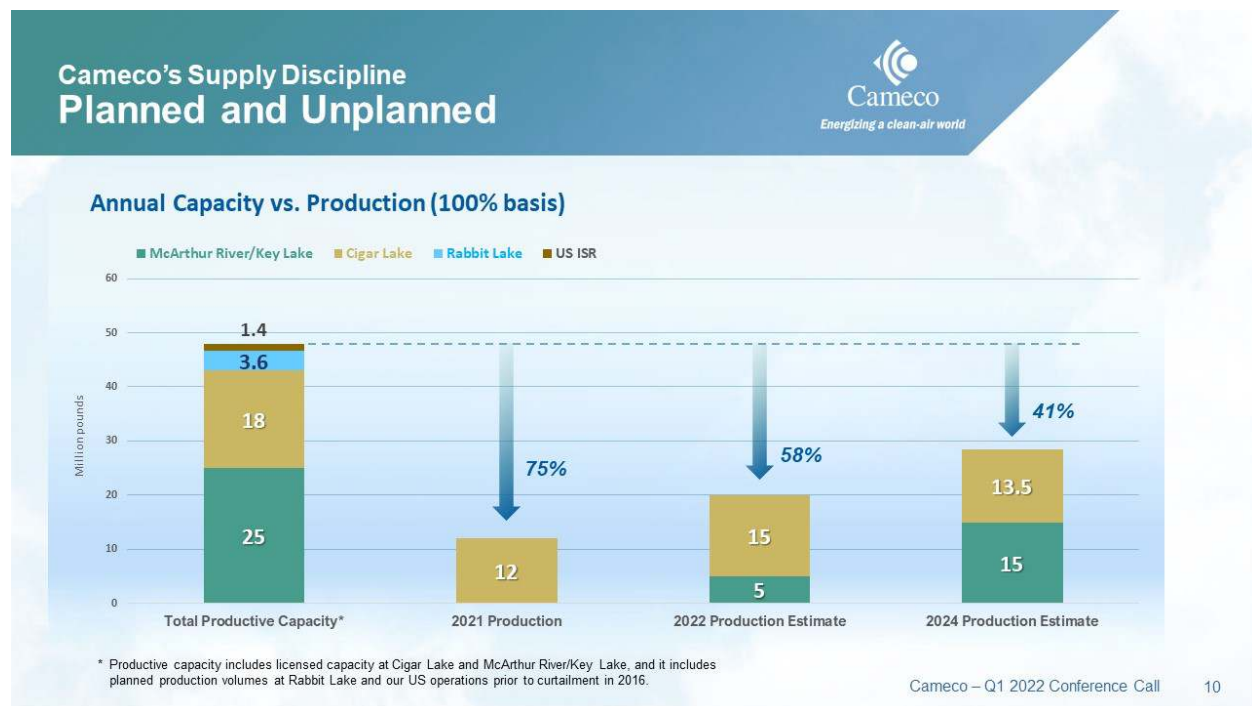
With demonstrated tier-one assets, strategic tier-two assets and vertical integration, we've taken a balanced and disciplined approach to our strategy of full-cycle value capture. On the contracting front, we've been balanced and disciplined in layering in volumes where it makes sense for us and building a diversified customer base.

With what we believe are the early innings of a market transition and more demand ahead of us, we will continue to be patient. We're not even close to being sold out. So, we will maintain considerable leverage to the further market improvements that we expect to see. We're also taking a balanced and disciplined approach to our supply decisions.



In the next phase of our supply discipline, which involves not only MacArthur River Key Lake but starting in 2024 Cigar Lake, is balanced with our contract portfolio and where we think the market transition is currently at. Even though we've seen considerable pricing pressure resulting from the geopolitical uncertainty, we will not change our production plans. We will not front run demand with supply. We won't ramp up production to meet spot demand; we will ramp up once we've built the homes for those pounds in our long-term contract portfolio and we see further improvements in the uranium market. With all the uncertainty, we're not rushing this process. I think we've shown we can be trusted when we say we will remain disciplined.

Finally, while we're talking about balance, we have shown balanced in financial discipline. We will retain our conservative financial management to support our continued balanced and discipline contracting and supply decisions. Let me take a minute to discuss where we're at with the next phase of our supply discipline.



As we announced last quarter, we're laying claim to our tier-one incumbency advantage as we further position Cameco to capture the value we expect to come from the growing demand for safe, clean, reliable, and affordable nuclear energy. We started the process to transition the McArthur River Mine and the Key Lake Mill from care and maintenance to operational



readiness. We've begun the recruiting and training process. Current workforce at these sites is now approximately 600, including employees and long-term contractors with a view to achieving about 850 prior to the start of production later this year.

Our maintenance readiness checks are underway and we are completing the critical automation, digitization and other projects needed to begin production. With the work we're undertaking this year, we could produce up to 5 million pounds on a 100% basis. Our current plan is to achieve production of 15 million pounds per year on 100% basis by 2024. That is 40% below the annual license capacity.

Once McArthur River Key Lake operation reaches its planned production starting in 2024, it's our intention to pull back on production at Cigar Lake. Our plan is to take production at Cigar Lake from 18 million pounds per year down to 13.5 million pounds per year on a 100% basis, or 25% below its licensed capacity.

This year, we continue to expect to produce 15 million pounds at Cigar Lake on 100% basis, 3 million pounds less than its licensed capacity. Our production outlook this year reflects the expected impact of delays in development work at Cigar Lake in 2021 and the ongoing pandemic and supply chain challenges that are impacting the availability of materials, reagents and labour at all of our operations, including labour negotiations that could impact production. However, we're working to minimize any disruption to our operations. What's the result of all this?

## Financial Performance Transitioning to Tier-One Run-Rate



### *Next phase of our supply discipline*

- Categorically positive for Cameco
- Expect improving margins and cash flows
  - More tier-one production
  - Fewer spot purchases, ability to pull forward long-term purchases
  - No longer expensing care and maintenance costs or operational readiness costs once a reasonable production rate is achieved
  - Market-related portion of contract portfolio leveraged to higher uranium prices
  - Uncommitted in-ground inventory leveraged to higher uranium prices
- Enviably balance sheet and positioned to self-manage risk
  - Opportunistic investment in nuclear fuel value chain
  - 50% increase to 2022 dividend

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We expect that our operational decisions at McArthur River Key Lake will have a significant and positive impact on our financial performance. As you know, the financial aspect of our strategies to ensure we have a solid balance sheet and the ability to self-manage risk.

At the end of the first quarter, we again were in a net negative debt position with \$1.5 billion in cash, about \$1 billion in long-term debt and a \$1 billion undrawn credit facility. This doesn't include the \$778 million owed to us by the CRA.

Once production at the McArthur River Key Lake operation resumes, we expect to begin to see a significant improvement in our earnings and cash flow. As production achieves a reasonable level, we will no longer expense operational readiness cost to cost of sales and we will be able to source more of our committed sales from lower cost produced pounds.

As we saw this quarter the higher prices in the currently improving market are beginning to flow through our existing contract portfolio. With an inventory of unencumbered pounds in the ground, rising prices will also create the opportunity to layer in new long-term commitments. Commitments with appropriate pricing mechanisms that will underpin the long-term operation of our productive capacity.



We've also started to bring forward some of our long-term purchases. Remember that when uranium prices started with the two or three, we secured almost 13 million pounds of material under long-term fixed price purchase arrangements. We have not taken delivery or paid for the majority of these pounds, so they're not on our balance sheet, but they are stored at our facility.

The deliveries under these arrangements are heavily weighted to the years 2025 through 2028. However, we have the ability to bring these pounds forward and earn a good margin on them today. We put these arrangements in place as a means of risk mitigation. With the planned production changes at McArthur River Key Lake and Cigar Lake, our need for these ponds to mitigate risk has been reduced. We will continue to balance this activity with our spot market purchases.

As such, we expect to continue to have the financial capacity to execute on our strategy and self-manage risk, including from the global macro-economic and geopolitical uncertainty we're seeing today. Having been in this business for a long time, we have been through every market transition in our industry.

## Uranium Market Fundamentals

# Full-cycle Value Capture

Marketing

Strategy Execution

Operations

Financial

Great assets necessary but not sufficient to capture full-cycle value

Spot Market	Long-term Market	Incumbent Producer Advantages
<ul style="list-style-type: none"> <li>Thinly-traded</li> <li>One-time, discretionary volumes</li> </ul> <p style="color: #0070C0; font-weight: bold; margin-top: 10px;"><i>Productive capacity missing the long-term contracting cycle leads to value-destructive, spot-exposed sales</i></p>	<ul style="list-style-type: none"> <li>Full-cycle value created through long-term contracting</li> <li>Production capacity must be flexible and timed to align with contracting cycle</li> <li>Multi-year requirements layered in during periods of above replacement-rate contracting</li> <li>Leverage to greater returns as prices increase and protected for periods of low prices</li> </ul>	<ul style="list-style-type: none"> <li>Utilities prefer proven reliable suppliers - tier-one assets demonstrated not promised</li> <li>Licensed/permitted assets market-aligned with contracting cycle</li> <li>Diversified sources and vertically integrated services</li> <li>Proven ESG performance</li> </ul>

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We understand that while having great assets is a necessary condition for creating long term value, it's not sufficient. We also know that the spot market in our industry is not the fundamental market in our business. It is not where utilities turn to satisfy their long-term run rate requirements. It's typically where they go for one-time discretionary volumes.

Our experience has taught us that a responsible producer creates real value by building a long-term contract portfolio. A portfolio that supports the operation of productive assets and generates significant cash flow through the entire commodity cycle by having leverage to greater returns as prices increase and that provides downside protection for the periods of lower prices.

In our business, there's no substitute for a full-blown, utility-driven, long-term contracting cycle. Contracting cycle motivated by security of supply concerns drives value capture in the uranium fuel market, just like it did in the conversion market two years ago. As it did for us during the worst down cycle in the uranium business when our average realized price outperformed the market and protected our balance sheet when others failed financially and had to be recapitalized and restructured destroying value for their owners.

Finally, after more than 10 years and a trough and through the deliberate and disciplined execution of our strategy, we're seeing increased interest in contracting, and not just in uranium, but across the fuel cycle.

With geopolitics complicating and potentially bottlenecking nuclear fuel supplies, we're seeing not just utilities but some of the intermediaries and service providers beginning to shift their attention to securing material for their uncovered requirements and to de-risk some of their origin dependencies.

The request for proposals we are seeing are directed at those producers who have proven in reliable productive capacity in the right jurisdictions and who have a track record of honoring commitments. As an independent commercial supplier, we can provide our customers with access to proven and reliable productive capacity, both uranium and fuel services, which is exactly what they want.



With substantial Canadian productive capacity, our supply meets both energy security and increasingly stringent ESG requirements that are table stakes today. It can provide diversity from state owned enterprises and help to de-risk utilities, future supply from geopolitical risk and trade policy exposure.

What does all this mean for Cameco? Well, it means we are optimistic. We're optimistic about the growth in demand for nuclear power, both traditional and non-traditional. We're optimistic about the growth in demand for uranium and fuel services. We're optimistic about the incumbency opportunity for Cameco in capturing long-term value across the fuel cycle, including some of the vertical integration investments we've made. Therefore, we will continue to execute on the next phase of our supply discipline strategy. More importantly, we will continue to do what we said we would do.

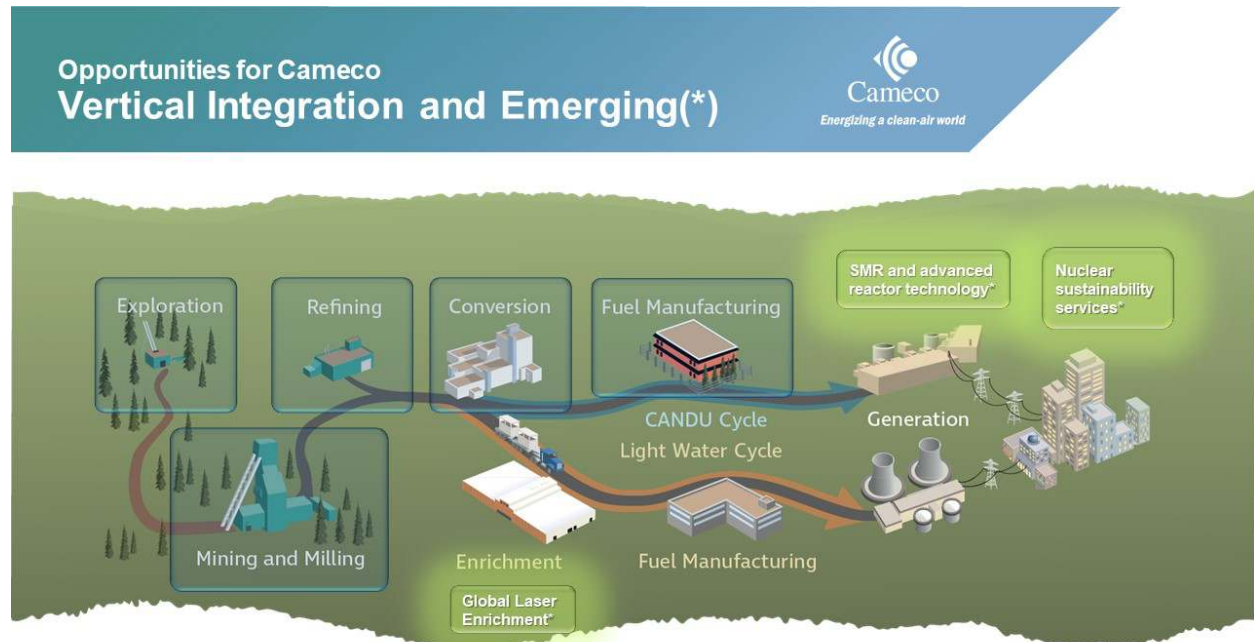
We have operating and idle tier-one assets that are licenced, permitted, long-lived and are proven operations that have expansion capacity. We have fully permitted and proven tier-two assets that don't make sense at today's prices, but when you think about them in the context of a looming supply and origin gap, there's a potential pathway for them to add value for us in the future. We will continue to be very disciplined in our evaluation on that front.

Thanks to our discipline contracting strategy, we have a contract portfolio that is protected as well during the worst down cycle in our business. As the nuclear fuel market improves further, our focus is shifting to securing homes for our in-ground inventory and for our fuel services capacity that has not yet been committed.

We are not going to chase the market down to win business and we won't produce to dump uncommitted supply into a thinly traded spot market, as we have seen some of our competitors do. The primary driver for our contracting activity is always value. Therefore, as the market improves, we expect to continue to layer in volumes capturing greater upside using market related pricing mechanisms. That said, we recognize there is cyclicity to our business that is inevitable.



As a responsible producer, we will also look to lock in value at higher prices to carry those higher prices through the next cycle. Just like we locked in significant value for our fuel services business in the recent price transition and conversion. Just a reminder, we're more than just mining.



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We are vertically integrated across the nuclear fuel cycle with refining, conversion and fuel fabrication. As utilities look to secure access to nuclear fuel supplies in jurisdictions that are stable, reliable and politically dependable, we will also look to continue to build our fuel services contract book. We're looking to expand our reach through our fuel manufacturing capabilities and investment in global laser enrichment. We're exploring fabrication of new fuels, including high assay low enriched uranium, or HALEU. In a world where access to Russian enrichment is restricted, this investment becomes increasingly valuable to us.

In time, it not only has potential as a U.S. source of enrichment capacity, but also to be a significant U.S. source of conversion and to produce HALEU. We're also participating in the development of small modular reactors and have entered a number of non-binding arrangements to advance their commercialization and deployment in Canada and around the

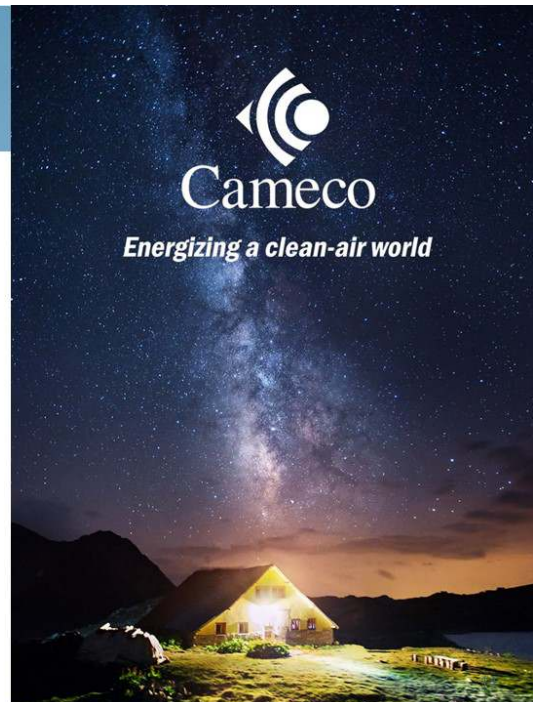


world. We have an interest in the nuclear sustainability service, the back end of the fuel cycle, including aiding in the responsible cleanup of enrichment facilities no longer in operation.

These opportunities align with our commitment to manage our business responsibly and sustainably and to increase our contribution to global climate change solutions. Our decisions at Cameco are deliberate.

## Right Vision and Strategy

- Our vision is aligned with the world's growing need for carbon-free energy
- Nuclear power can help avoid some of the worst consequences of climate change
- Our strategy is successfully positioning Cameco to achieve our vision



We are a responsible commercially motivated supplier with a diversified portfolio of assets including a tier-one production portfolio that is among the best in the world. We're committed to operating sustainably by protecting, engaging and supporting the development of our people and their communities and to protecting the environment, something we've been doing for over 30 years.

Our strategy which includes contracting discipline, supply discipline and financial discipline will allow us to achieve our vision. A vision of energizing a cleaner world, and thereby delivering



long-term value in a market where demand for safe, secure, reliable and affordable clean nuclear energy is growing.

Thanks to all of you for your interest today and we're happy to take any questions you might have.

A presentation slide for a Q&amp;A session. The background is a photograph of a modern brick and glass building under a blue sky with clouds. The slide contains the Cameco logo and tagline "Energizing a clean-air world" on the left. In the center, "Q&amp;A" is written in large blue letters. Below that, "Investor Relations" is written in blue. Three contact options are listed: an email icon with "investor\_requests@cameco.com", an envelope icon with "2121 11th Street West, Saskatoon, Saskatchewan", and a globe icon with "cameco.com/invest". At the bottom left, there are three logos: "CCO LISTED TSX", a "25 YEARS" anniversary seal, and "CCJ LISTED NYSE". At the bottom right, the text "Cameco - Q1 2022 Conference Call" and the number "15" are visible.

**OPERATOR:**

We will now begin the question-and-answer session. In the interest of time, we ask you to limit your questions to one with one supplemental. If you have additional questions, you are welcome to rejoin the queue.

The first question is from Ralph Profitì with Eight Capital. Please go ahead.

**RALPH PROFITÌ:**

Good morning, Tim and team. Thanks for taking my questions.

Tim, getting to 600 out of the 850 employees at McArthur River, it sounds like things are going very well and according to plan. I'm just wondering where you're seeing the biggest challenges



when it comes to securing some of that skilled labour in what looks to be an extremely competitive market as you move closer to full operational status, and is that 40 million in Q1 sort of how does that compare to plan?

**TIM GITZEL:**

Yes, Ralph, thanks for the question. Nice to talk to you this morning.

Yes, we're ramping up. We went from less than 200 people a while ago, we're at 600 on our way to 850. It's not perfectly easy. I will say we have a competitive advantage in Northern Saskatchewan in that we have all of the Northern people that have worked for us in the past. A great workforce represents 50% to 55% of our workforce that'll come back to us every time. So, there's your advantage right off the bat.

There's a few of the trades that are a little trickier to find. There's some competition here, obviously. You see the potash business running hard, the oil and gas picking up, drilling. So, yes, there's competition, but we take from others and down the line. We consider ourselves to be a pretty attractive place to work, a good employer, and so we'll be able to fill those positions. We're not just doing it like that; we're also putting a diversity lens on it as well.

We're looking to get more gender diversity, which will help us a lot in the long run. It's something we've been putting a real focus on and just underrepresented groups. So, we'll get there. People will come and we'll be okay on the labour side. The costs in the quarter are about exactly where we thought they would be. So, that's going well.

**RALPH PROFITI:**

Okay, that's great to hear. I want to switch gears a little bit and talk about committed versus non committed. I hear you loud and clear on your comments about not being even close to being sold out. I just want to maybe take a look at the shorter-term horizon, maybe five years. What are you telling us between committed and open non-committed on that shorter-term horizon? Are you where you want to be in that split, say just for the next five years?



**TIM GITZEL:**

Yes. So, I'll just give you the broad outline, and then Grant, you might as well give a bit of an update on the market and where things are at.

We'd like where we're at. I think over the next five years we have about 20 million pounds per year, on average, on our books about where we want to be. More in the first couple of years and declining. Boy, that's exactly where we want to be. We probably could put a lot more if we just wanted to go for volume. Granted, we could put a lot more on the books, we're looking for value long term. As we said in the comments just a few minutes ago, there's nothing like security supply driven market transition and signing contracts with great customers for a term, whether it's was five or 10 years. We've been through some pretty rough patches, and we don't want to be there again.

Grant, why don't I pass it to you and you can just give a bit of an update on the market as well. So, we can cover that off.

**GRANT ISAAC:**

Good morning, Ralph.

Let me cover a bit of ground that's already been covered. We've been through every one of these cycles that the commercial industry has seen and learned a lot of things along the way. We're looking at a demand fundamental that is very constructive for all the reasons Tim went through. That demand fundamental has been leveraged by financial interest, which has been very positive this year, early this year. It was leveraged by, quite frankly, the unrest in Kazakhstan, which then created a little more concern about the concentration of supply, and then most recently leveraged by the Russian invasion. That backdrop looks really constructive to us. It tells us that there is a lot of demand that's still in front of Cameco. Demand we don't have to chase.

I characterize the term market in Q4 as being one where we were seeing tenures increase. We were seeing long-term contracts go from sort of two- to five-year bites out of the market to two-to-seven years, two- to 10-years. That's very constructive. I see the timeframes were increasing. We were seeing demand that was stretching into the 2030s and through the 2030s. That's very



constructive. We were seeing volumes go up, not just because tenures were going up, but bigger bites were being taken out of the market.

Since February 24, we've seen actually a new move in the term market, and that is what we call Russian replacement demand. What that's done is it's really created a focus on the shorter term. We've seen customers look very closely at their supply chain vulnerabilities, starting with making sure their fabrication contracts are in place. Well, all that fabrication is done in the Western world for the Western customer. So, that's great.

Then they turn their attention to enrichment. You can clearly see from the price discovery going on in the enrichment phase that there is some panic. We saw a \$48 jump in the SWU price, we're seeing enrichers be able to command prices that are required to build new Western enrichment capacity. So, that has been the focus right now, that's kind of taken away from the trend of looking out longer term.

Here's the great news, Ralph. That Russian replacement demand really hasn't hit conversion or uranium yet, which is the feedstock required to meet that new enrichment capacity that's being called for. So, we see the fundamentals, we see the characteristics of the term market. Then we see this new push on what we call Russian replacement demand. That all suggests to us that we have bargaining power, that we're not in a rush to put volumes under contract, that we can be strategically patient.

I said before, there's no tyranny of quarter end or there's no tyranny of year-end. A great contract beats a fast contract every time. So, we've got a lot of negotiations going on, a lot of advanced negotiations that when they are executed, they will show up as committed sales in future periods. We're right where we want to be given these fundamentals and leveraged to what we think is a market that is improving for our sources of supply. So, longer answer that you wanted, Ralph, but I just wanted to create that context for you.

**RALPH PROFITI:**

That's great commentary. Thanks, Tim. Thanks, Grant.





**TIM GITZEL:**

Yes. Thanks, Ralph.

**OPERATOR:**

Your next question is from Andrew Wong with RBC Capital Markets. Please go ahead.

**ANDREW WONG:**

Good morning.

Can you talk about the delay in deliveries from Inkai? Is that a Cameco specific decision just made for risk mitigation purposes, or are there actual hurdles for delivery? I think your partner, Kazatomprom, indicated earlier this week that there's definitely risk in the region but the deliveries haven't been disrupted yet.

**TIM GITZEL:**

Thanks, Andrew.

Obviously, we don't love the fact that we have to ship material through Russian ports. I mean, that's an issue in and of itself. So, this is a question of risk mitigation, really. We've seen cancellations of some cargo insurance. And so, we thought we could cover. We want to see what the alternate routes are available. I know there's work going on in that, and we're talking to our partner there in that regard. So, we just decided to delay shipment until we can see a little clearer picture over there.

**ANDREW WONG:**

Okay, great. Then just my second question is more around enrichment. We saw in enrichment prices dropped quite a lot in April. I'm guessing it's probably the biggest jump we've ever seen in the enrichment prices. What does that signaling to us about the market? Have we yet entered into a situation where the enrichers on the Western side may have to go into an overfeed situation? If that were to be the case, what's the delta on uranium demand versus what we've seen in a more underfeed scenario? Thanks.



**TIM GITZEL:**

Yes. The signal, Andrew, is that 39% of enrichment comes out of Russia.

Grant, you want to speak to maybe enrichment and touch conversion, because it's the same movie?

**GRANT ISAAC:**

Yes, we're talking about unprecedented geopolitical realignment. What that's code for is just the Western markets trying to exclude Russia. Just a reminder, Tim talked about it earlier, 39% of global enrichment capacity is Russian, 27% of global conversion capacity is Russian, 14% of uranium capacity is Russian. Here's an interesting one that a lot of people don't think about. Half of the so-called secondary supplies are also Russian. That's a piece of the story that also needs attention too. So, there's an enormous amount of supply that folks have been counting on over the years that steps are being taken to exclude.

When we see these types of security of supply driven moments, it is very typical for the fuel buyers to work their way back upstream to start by asking questions about the in-process material they have at fabricators, and then turn their attention to enrichment. Then after that, once their enrichment services are contracted, then make sure they got the conversion services contracted, and then turn their attention to uranium.

What we're seeing since February 24 is a real focus on this replacement. The main pinch point at the moment is enrichment. So, you're seeing the Western enrichers being able to command a price that actually is required to grow Western enrichment capacity. So, what that suggests is that we're probably close or at capacity limits already among Western enrichers. The fact that they can command prices that are required for new capacity to come online in the future suggests to me that those capacity limits are probably hit.

What that means is that excess capacity that had been used for underfeed is probably now gone. As a result, a plant that's completely full, the only way to get more enrichment out of it is to move to what you call overfeed. Overfeed is just code for, you need more feedstock. You need more uranium that's converted into UF<sub>6</sub> coming into the enrichment space.



The great news is, this Russian replacement demand, we've seen the push now in enrichment, we haven't yet seen it fully in conversion, let alone uranium. So, I think it's a very, very positive signal. It's a very positive signal that contributes to why we can step back and take a bit more strategic patience in our contracting for our conversion services and, importantly, our uranium and command the terms and conditions that we want, given the fundamentals in the backdrop. So, I think you're right in focusing on it. I think it is an important signal and a very positive one.

**ANDREW WONG:**

That's great. Thank you.

**TIM GITZEL:**

Thanks, Andrew.

**OPERATOR:**

Your next question is from Gordon Johnson with GLJ Research. Please go ahead.

**GORDON JOHNSON:**

Hi, guys. Thanks for taking the question.

I guess the first question is, you guys used to target a 40% fixed price and 60% spot ratio. I just wanted to know if that's still kind of the reference point you guys are looking at in the new contracts are signing?

**GRANT ISAAC:**

We've had that disclosure in the past. We've actually kind of stepped back a little bit, because we discovered it was being interpreted as every contract we signed, we want to have a 60/40 balance, or in any one year, we want to have a 60/40 balance. Think about it as a full cycle. Over the highs and lows of a full uranium cycle, we've discovered that we can add and sustain very significant value by having a portion that's market related and a portion that's fixed.

In any moment in any cycle, that's not necessarily our governing parameters. So right now, where are we sitting? We're sitting in a market where the demand outlook is strengthening and is durable and the supply outlook is uncertain. That supply outlook is leveraged by challenges



with the concentration of supply, with this geopolitical realignment, with the inability of primary production to respond quickly, or the inability of greenfield to come on fast in a world where supply chains are broken and inflation is a very important factor.

That will suggest to us that right now we have a very strong bias towards market related as opposed to the 40% that's fixed. So, think about that balance, full cycle, but it may not be representative of where we are at any moment in the cycle where we're sitting right now. We have a very high preference for market related. We see a suite of factors that suggest to us that prices are improving. We don't want to lock in those prices today, because we want leverage to an improving price environment.

Overall, full cycle, at some point, we'll see prices that we think we're prepared for a portion fixed pricing or base escalated, and that will lock us in it when the market responds. I mean, we know in commodities, hyper prices bring hyper supply, and we'd want to be protected from that side of the cycle. So, where we are in any one cycle really determines what our interest is at the moment; we're highly market related focused.

**GORDON JOHNSON:**

That's helpful. One last one for me. When I think about what we're looking at in this market, I mean, we've seen record spikes and nuclear elevated prices, we've seen Biden launch the \$6 billion civil nuclear program. Gavin Newsom saying he's going to reconsider the closure of Diablo Canyon. There's just been a lot of positive data points out there. Have you guys ever calculated if you were more spot versus fixed contract with the impact or maybe the sensitivity to your cash flows and earnings? Thanks for the questions, guys.

**TIM GITZEL:**

Thanks, Gordon.

**GRANT ISAAC:**

A big difference between what we would think of as sort of spot exposure and term exposure. The reality for the uranium market, whether global demand is 180 million pounds a year, or 300 million pounds a year, the spot market will still not be the fundamental market. It will be a discretionary market used by fuel buyers for things like reloads or inventory adjustments, but it



won't be where they cover their run rate requirements, which means the spot market will never be capable of absorbing the kind of volumes that we produce.

When Cameco or Kazatomprom or a big producer shows up with primary production in the spot market, that's the day the spot market starts to go down. We don't have to look any further than two weeks ago to see a \$10 drop in the spot price to see actually how thinly traded it is. You don't want a primary producer targeting the spot market. What you want is a primary producer who builds homes for their production, plans their production according to those homes, but then has the right combination of market related and base escalated terms to drive multi-year value. Not capturing short-term spike of a spot market, but locking that spot market price pressure into multi-year contracts that capture that value and create those cash flows and earnings for a sustained period of time.

On balance, we want enough market related exposure to capture the upside and we want value to be locked in to protect from the downside for when those moments where undisciplined supply is hitting the spot market.

Very different way of thinking about it than spot exposure being the spot market. I mean, you want market related exposure, but not through the spot market. You want it through term contracts that are market related.

**GORDON JOHNSON:**

Thanks again for the question.

**TIM GITZEL:**

Thanks, Gordon.

**OPERATOR:**

Your next question is from Orest Wowkodaw with Scotiabank. Please go ahead.

**OREST WOWKODAW:**

Hi, good morning.



Grant, just wanted to clarify something you said earlier with respect to the state of your negotiations, I guess, for new contracts. I think we're all a bit surprised that the company didn't add any more to the 40 million pounds that were announced, I guess in mid-February.

It sounds like your comments are more related to the fact that utilities are focusing on the enrichment side first with respect to the recent developments on the geopolitical risk front. I'm just wondering, is part of the issue also, I mean, given your strength in bargaining power, is it also an issue where the bid ask spread has changed in the sense of you're now in a much stronger position, so you can be commanding much higher pricing than you could have a few months ago?

**GRANT ISAAC:**

Your characterization is absolutely spot on, Orest. So, it's a combination of the Russian replacement demand as a result of the February 24 invasion has really taken attention to the enrichment space away from uranium and conversion at the moment. So, that's actually slowed down probably some of the origination that we would have seen on uranium and conversion.

The stuff that was already under negotiation, yes, we do feel like we can be strategically patient, that we have the asset mix, that we have the services with our conversion facility, the only one operating in North America, that now is the time to be strategically patient within negotiations to capture that maximum value for our owner. So, it is exactly the combination of those two things, which is exactly what you want us to be doing, because the goal is to capture full-cycle maximum value, not just volume.

**OREST WOWKODAW:**

Yes, totally agree. I think we've got a pretty good picture on your, call it, uranium capacity. Can you maybe give us some insight on the conversion side specifically? I don't really have a good sense of how much additional volume you still have to sell there over the medium term.

**TIM GITZEL:**

Yes. Well, I can tell you conversion is about as hot as we've seen it ever. I don't think we've ever seen it. It started a couple of years ago, and a lot of the supply was taken off. Then this



convergence of events over a couple of years. All of a sudden conversion went from \$5 a kg to \$6 to \$20, and it's in the 20s. today. Now, you take off 27% from Russia and it's really tight.

What I can say about our plant in Port Hope is we're running it pretty hard. We're looking at whether we can increase capacity over time. Of course, we won't do that just on spec; we would have to have some good reason to do that. We don't have that at the moment. We know a lot of countries and companies are scrambling for conversion to lock up conversion going forward. So, our book looks really good, I would say, for the next number of years. We're looking to see if we can just squeeze a little bit more juice out of the orange there.

**OREST WOWKODAW:**

Can you give us a bit more colour, though? Are you effectively locked in or sold out for the next couple of years, or do you still have the capacity to add conversion with higher pricing in the in the near term? I'm just wondering if we should think about sort of the opportunity more medium to long term, or whether there's actually upside short term.

**TIM GITZEL:**

I'd say we're pretty heavily committed for the next number of years, for sure. It's kind of like our uranium portfolio, where we're heavily committed in the next few years and things start to open up. So, we're talking conversion with lots of customers, but out a few years.

**OREST WOWKODAW:**

Okay. Thank you.

**TIM GITZEL:**

Thanks.

**OPERATOR:**

Your next question is from Lawson Winder with Bank of America Securities. Please go ahead.

**LAWSON WINDER:**

Hi, good morning. Nice to hear from you all and thank you.



I'd also like to ask about conversion and just get a sense for the discussions you're having right now. So, obviously, I mean, the price indicated there has jumped quite a bit. My understanding is that utilities are willing to pay in the \$27 per pound-plus range. Is that what you're seeing? Can you give an idea of what your current capacity utilization is on the conversion? What would it take in terms of both costs and time to get to 100% utilization? Thank you.

**TIM GITZEL:**

I'll just say what our licensed capacity is, and that's about 12,500 tonne at the plant. As I say, we're pushing it as hard as we can. Expanding that, that's a whole different movie. We would have to really think hard about that and how to do that. So, we just want to try and get as close as we can to the capacity that we have and then we'll see after that.

Grant, do you want to talk about the contracting in conversion and just give us as much detail as you can on that?

**GRANT ISAAC:**

Yes. The pressure that we're seeing build in enrichment, it's only a matter of time before you see it flow through more visibly into conversion, because that's what's required in order to feed that enrichment capacity. Let's just think about it in broad global terms. Tim referenced 27% of the global conversion capacity is Russian. That basically means the Western world that's missing conversion capacity the size of another Port Hope, 12,500 tonne of conversion capacity. That's a pretty big hole to fill. Along the way, we're going to see a plant come back in the U.S., the ConverDyn plant. Obviously, a new plant in France, Orano's Phillippe Coste plant going from 7,500 tonne to maybe 15,000 tonne of conversion. So, Western capacity will respond, but the key to making it respond is the power of utility procurement.

I mean, that that's what's going to create the conditions to make the decisions to plan for higher levels of conversion utility start to contract. So, where are we seeing it? Well, we're seeing those who have been very dependent on Russian EUP. So, that's material that shows up that's already enriched, already converted. We're seeing those first come to the market. That's kind of near-term demand filling up that book, like Tim talked about. You're seeing conversion pricing in the mid-20s, even term pricing that really is reflecting the fact that additional capacity has to come online.





Here's the good news. We haven't yet seen the replacement rate type of demand in the conversion, let alone the uranium space. That's still before us. So, conversion is the next pinch point after enrichment. We saw the pressure build in enrichment very visibly with the SWU price going up. We do expect more strengthening in the conversion market as a result.

**LAWSON WINDER:**

Thanks. Also the current collective bargaining agreement with the unionized employees at Port Hope at the conversion facility, that expires this year. Is there any risks to your production that we should maybe thinking about there? Any comments you're able to make on that at this point?

**TIM GITZEL:**

I'd never there's no risk, but we certainly have a good relationship with our employees. Hopefully, both sides will be able to sit down and iron something out and give us some clarity for the next couple of years. So, we'll see.

**LAWSON WINDER:**

Sure. Thanks for the comments.

**TIM GITZEL:**

Thanks a lot, Lawson.

**OPERATOR:**

Your next question is from Greg Barnes with TD Securities. Please go ahead.

**GREG BARNES:**

Thank you, Operator.

Grant and Tim, are you seeing your customer base broaden out of this global realignment occurs? It maybe early days yet, but you are getting to talk to people that you might not have talked to people in the past?



**GRANT ISAAC:**

Certainly, we are, Greg. It's actually quite exciting because it looks like, as the lines are being redrawn, that Eastern European market is actually breaking West. That Eastern European market, as a perfect example, has been a captive market of Russia since the beginning; those are Russian reactors. Typically, the Russians would just provide fabricated fuel bundles to those utilities.

Over the last couple of years, pre-dating the Russian invasion of Ukraine, we began to make inroads into some of those important Eastern European markets from Ukraine, all the way down to Slovenia, and everybody in between. Then, of course, this invasion has just accelerated it, and now we're in full blown conversations with customers there who were looking for all the components. They're looking to pivot to Western suppliers that are secure and reliable and really break that control that the Russian fuel cycle had over their very important electricity infrastructure.

That's an absolute broadening of the base of our customer, and then it's a deepening as you look at our markets where we already have good market penetration. We just expect our market share to go up in those markets as they struggle with origins and look to exclude Russia. So, we're not only going to grow our market share in existing markets; we're going to broaden that customer base into markets that have historically been captive. Yet another reason why we're pretty constructive on this right now.

**GREG BARNES:**

Just a follow up question, Grant. Just a little curious on the Orano loan extension, given you are restarting McArthur. I'm surprised that that needed to be extended.

**GRANT ISAAC:**

Yes, remember, we're still technically in supply discipline. We are bringing McArthur back, but we're not planning on running it at capacity. At the same time in 2024, we're planning with our joint venture partner to bring Cigar Lake down to 13.5 million pounds. That's our stated goal at the moment. We've seen some good contracting, but we haven't seen that kind of replacement rate contracting, that power of procurement, that would call for a different decision at the moment.



As we structured what that appropriate production is, our interests combined with their interest, we just said, “Look, we don't need the inflow of material in that window. We're still in supply discipline mode.” They weren't eager to pay it back in that window. They're still in supply discipline mode, not just in northern Saskatchewan, but also in Kazakhstan, and also in Niger as they'll talk about.

Just mutually it made sense for both of us to not worry about it until later out in the cycle. Of course, added to that is the fact that through 2021 and into early 2022, we layered in another 70 million pounds of contracts, built the book out into the longer term. We have more appropriate homes for those inflows probably out in the future than we do at the moment. So, it just made sense for both of us. So, it shouldn't come as a surprise, just kind of the normal to-ing and fro-ing within a joint venture relationship.

**GREG BARNES:**

Okay. Thanks, Grant.

**TIM GITZEL:**

Thanks, Greg.

**OPERATOR:**

Your next question is from Paul Rubenstein, a private investor. Please go ahead.

**PAUL RUBENSTEIN:**

Hi Tim. Hi, Grant. Happy Cinco de Mayo. Some people are calling it Cameco de Mayo. I'm very happy to hear this conference call today.

What I'd like to ask you about is global rate laser enrichment, if you can go into some detail about that and about whether that's being ramped up to increase production for all this new demand that's going on.



**TIM GITZEL:**

Yes, that's a great question, Paul. I'm going to pass it over to Sean in a minute just to give an update on where we're at, but it's super exciting for us.

It's something that we see now, as kind of a triple threat for us. With the discussion we're having this morning where you take 40% of the world's enrichment and tuck it away and say it's not available to the Western markets. All of a sudden everybody's looking for enrichment. So, as we said in our comments, people are looking for just pure SWUs for LEU. They're also looking for HALEU, the high assay low enriched uranium, that's going to feed the SMRs going forward. Everybody thought the Russians were going to supply that for the first 10 years or so until somebody could build the HALEU plants. I know that's on the front burner.

Then, of course, just those tails, the DOE tails, we see as a potential new mine in the United States. You re-enrich those tails, not only do you get the uranium component, but you've got dormant conversion, if you like, sitting in there. So, when you're re-enriching it, you have six, which is hot demand today. So, our excitement levels gone up a few octaves on that one.

Let me turn it to Sean just to give you an update as to where we're at, we've stood up the Company and just some of the progress we've made in the last months.

**SEAN QUINN:**

Sure. Thanks, Tim. I will add to what you said that the underpinning of GLA remains the tails disposition agreement that we have with the DOE; but we are actively considering, will be considering, whether there is a plan to accelerate development to take advantage of the opening we see in the market, particularly for enrichment and conversion. Whether there's some way to get some assistance from that and the various initiatives that are being undertaken by the U.S. Government, mostly led by the DOE, to see if we can advance deployment and perhaps change the focus of the first facility that we're considering in Paducah, so that it would provide more commercial SWU, HALEU and tap the conversion opportunity even more. So, more to come on that over the next few months.



**PAUL RUBENSTEIN:**

Okay, great. I'm just wondering, I understand that you guys have an option to increase your share, I think, to 70% or 75% from the current 49%. Is that something that you're considering?

**TIM GITZEL:**

We do and we are. Yes, absolutely.

**PAUL RUBENSTEIN:**

Great, thank you.

**TIM GITZEL:**

Yup. Thank you, Paul.

**OPERATOR:**

Your next question is from Brian MacArthur with Raymond James. Please go ahead.

**BRIAN MACARTHUR:**

Good morning.

First question, just going back to conversion in a little more detail. If you were to expand Port Hope, do you actually have to expand Blind River as well? The second question just related on conversion, just the 12,500 capacity. When you have you U02 there and at one time, you could flip things back and forth, are you just sold out on U02 as well or is there any capability to flex that at all?

**TIM GITZEL:**

Well, let me back up a little bit. So, expanding from the 12,500, we'd like to get to 12,500 first. We haven't run at that level. As you know, we've been running half speed for decades. So now, Brian, we're ramping it up and trying to get it up as high as we can. To expand it further into the future, that's a big question mark. That's a plant that would need a lot of work. If we did, we would have to increase that Blind River at the refinery as well. We'd have to move up our production there as well.



On the UO2 side, I think we're good. We're supplying the contracts that we've got. We've got some great relationships with the Candu owners to supply them fuel for a long time to come. So, yes, I don't know, this is all pretty new for us. To even talk about expanding production at Port Hope, we didn't even talk about that 65 days ago, and now it's on the radar screen.

I'm just looking at Brian Reilly who's looking after it. Right now, it's our goal is to get production up to capacity as high as we can.

Brian, do you have any comments on that?

**BRIAN REILLY:**

Yes, the UF6 plant is running well. That's the good news, but it's an old plant. So, we have a number of capital projects underway to keep running at current rates and looking at the opportunity for expansion. As Tim stated, clearly, 12,500 tonne, we've not achieved that rate before. That would be a significant milestone to do so. The plant is running well and we want to keep it running well. We'll look at opportunities in achieving 12,500 tonne.

**BRIAN MACARTHUR:**

Can I just ask, I know your report combined, but you should have shown 4,000 KGUs a quarter, that's at a higher rate. I guess you're just heavily weighted on certain quarters on UO2 or whatever, which is why that doesn't look like you're running at 12,500. Is that right? I mean, if I look at some quarters, you do report production that's a higher run rate than that I would say, if you put them together. Or is that not right?

**BRIAN REILLY:**

Yes, you're right. It's a combined number. I can say we're right on budget. In fact, in UF6 production, a little bit over budget at the moment. The disclosed production, it is a combined number right across the fuel services division.

**GRANT ISAAC:**

Brian. Sorry, it's Grant. I'll just jump in here.



The 12,500 tonne of licensed capacity that Tim referenced is the conversion plant only. It's not conversion plus UO<sub>2</sub>. So, that might be where the confusion is coming from.

**BRIAN MACARTHUR:**

Right. Okay. I think it's just that you said it's consolidated, because if you put them together, you're sort of 15,000, whatever, you're running a little higher than that. So, you're obviously running the UF<sub>6</sub> plant pretty hard right now, which makes sense.

The second question, back to Greg's, just on that Orano thing. I think if I remember, the original deal was 5.4 million pounds and now you can do an additional 1.2 of U<sub>3</sub>O<sub>8</sub>, but you sort of say there's 4.6 million on it right now. Should I just add the 5.4 plus the 102 at 6.6 minus 4.6, so they have capacity to draw two more? Is that kind of the way it works at the moment?

**GRANT ISAAC:**

Yes, that is kind of the way it works at the moment. With the other characterization, Brian, that they're looking for UF<sub>6</sub>. So, they're looking for that conversion components. So, let's call that what it is. That's another pretty important signal, because, let's face it, our partner is one of the major conversion suppliers in the world looking for conversion in other places. So, that's a pretty strong signal about the pinch points in the conversion market.

**BRIAN MACARTHUR:**

Which is going to be my, sorry, next question, and then I'll get off. Could you sort of draw on the 300 of the 1.2? How did you come up with the numbers? Is it based on your book? I mean, they probably wanted more I would guess. So, how did you actually determine that?

**GRANT ISAAC:**

Yes, you know how these negotiations go. They probably wanted more and we wanted to give them less. This was sort of the middle ground that was of mutual interest to both of us in terms of product flow and timing, and when we needed it and when they needed it. So, like any negotiation that landed probably exactly in the middle where they weren't happy and we weren't happy. So, it was probably the perfect negotiation.



**BRIAN MACARTHUR:**

Okay, great. Thanks. I'll get off. Thank you very much for answering my questions.

**TIM GITZEL:**

Yeah, thanks Brian.

**OPERATOR:**

Your next question is from Patrick Pajeki, a private investor. Please go ahead.

**PATRICK PAJEKI:**

Good morning, guys.

You guys seem to have the business under control with the cash balance now, ballooning, and perhaps with some inspiration from oil and gas sector. Are there any discussions beyond raising the dividend to manage the share price more directly, such as buybacks? Then my second unrelated question is on the Canada Tax Court website. Your docket says ready to be scheduled, presumably for a hearing. So, I'm just wondering if there's a timeline for that.

**TIM GITZEL:**

Patrick, thanks for the question.

I would say, hopefully we've had things under control at all times here. I'm going to turn it to Grant to talk about capital allocation, just our principles around capital allocation. Then I'll say a word about the CRA and pass it to Sean for an update on that.

**GRANT ISAAC:**

Yes, in terms of capital allocation, we are still in the mode of matching risk with reward. Ours is a market where you're hearing us, I think, talk very optimistically about the demand that's ahead of us. Keep in mind it's still ahead of us. There's still a lot of value we need to capture through our contracting, we haven't done as much as we'd want to yet. That's why we're still technically in a supply discipline mode. As we're in a supply discipline mode, we're technically over contracted. We have more commitments than we have production coming in the door, which





means we're going to make some purchases along the way, or access some of the long-term purchases that we've done.

All of that suggests to me that we're still in that self-managed risk mode as the market evolves. I'm pretty optimistic about how it evolves, of course. At the same time, we're seeing opportunities, as Tim mentioned, with respect to global laser enrichment. Opportunities that just really have been thrust to the forefront just in the last 60 days as a result of this effort to exclude Russia.

From a capital allocation point of view, between balancing the risk and looking at the reward opportunities, we're right where we want to be in terms of the balance sheet. The trigger for us thinking about different moves, of course, is shoring up building those homes for that production, getting our planned production back to capacity, getting out from under care and maintenance costs, matching our commitments with tier-one production, which, when you look at our financials, they're starting to improve already. This is just the beginning.

I mean, we still have care and maintenance costs in there that are going to go away as McArthur ramps up. So, we're just in that mode where we still think it's prudent to be cautious and let this market evolve. That's what gives us the ability to be strategically patient and not have to chase contracts in this market but let them evolve so we can capture the terms and contracts that we want.

When we achieve those kind of principles, then it will be time to review the cash balance versus the run rate cash flow coming in from that contract portfolio as it's rebuilt. Then we'll be examining all of those questions. Do we have an opportunity to create the kind of returns our investors would expect by investing? If we don't have anything we can point to, then what's the best way to return that money to our owners, because they're far better off with it than we are? Under that analysis, all options would be on the table.

Those principles haven't changed. They really are rooted in the rebuilding of the contract portfolio and shoring up that run rate business. We're well on our way there, but I would just say, cautiously, we're not there yet. Still in supply discipline mode.



**TIM GITZEL:**

Patrick, to your second question, of course, it wouldn't be a Cameco quarterly conference call without talking about the CRA at some point. We thought we were done with that in February 2021 and we got a Supreme Court decision in our favour. We're still talking about it. Just to be clear, the sweetheart deal that was made with somebody wasn't us this week.

Just to be clear on that. We spent about 15 years going through multiple levels of court to get unequivocal rulings in our favour. So, the CRA is holding about \$778 million dollars of our cash and balance sheet space, which we'd like to add to the cash deposit we have now. So, we're still working on it.

Sean, do you want to give an update on where we're at with the CRA litigation.

**SEAN QUINN:**

Sure, I'd be pleased to.

As Tim has already mentioned, the initial period of dispute of this, '03 to '06, fully resolved in our favour. There is nothing left there. We took the decision, it was ultimately ratified by the Supreme Court of Canada backed and based on this. All subsequent years should be similarly treated and resolved and our cash and letters of credit released. That solution wasn't expected by the CRA.

We put the years '07 to '13 back into the litigation process. That litigation process is still, I would call say, in the early innings. We filed what's called a Notice of Appeal. The CRA and the DOJ, the Department of Justice, has provided us with a reply. So, there's a long way to go if we don't work this through with the CRA in the meantime, in terms of the matter ending up in front of a Tax Court judge.

**PATRICK PAJEKI:**

Great. Thank you.

**TIM GITZEL:**

Thanks, Patrick.



**OPERATOR:**

We have a follow-up question from Greg Barnes with TD Securities. Please go ahead.

**GREG BARNES:**

Thanks. Can you talk a little bit about the ultimate routes for the Inkai material out of Kazakhstan that go through China and through that Caspian Sea route? What routes are you looking at?

**TIM GITZEL:**

Yes, Greg. That's a great question. That is the route across the Caspian over into the Black Sea, and then down into the Mediterranean at some point. We understand they've tested that route. So, we're working with them on that. That would be, I think, the other alternative. I don't think going east is an option through China, at least for our material. So, you've got it right, Greg. That is the option.

**GREG BARNES:**

How much volume can you put down that route? Is it like a one-off thing or could Kazakhstan get all the uranium out through that route?

**TIM GITZEL:**

Yes, Greg, I guess we don't know that yet. I think they're still using the St. Petersburg to some extent. So, we'll have to figure that out, too. This is pretty recent for us, Greg. So, we'll have to figure that out in the next couple of weeks and months.

**GREG BARNES:**

Okay, thank you.

**TIM GITZEL:**

Thank you.

**OPERATOR:**

This concludes the question-and-answer session. I'd like to turn the conference back over to Tim Gitzel for closing remarks.



**TIM GITZEL:**

Well, thank you, Operator.

With that, I just want to say thank you to everybody who joined us on the call today. We always appreciate your interest and your support. Just a couple of words, our world today is facing some pretty significant challenges, including decarbonization, electrification, while ensuring energy affordability and security without jeopardizing the ambitious net zero targets that have been set around the world.

There's a lot of uncertainty in the world energy landscape, and a lot of countries are having to take a hard look at where they should get their fuel. More than ever, the world is looking for a stable, reliable and politically dependable fuel supply. I believe we are witnessing a fundamental change that will alter the way countries approach their energy needs going forward.

I think anyone who looks seriously at the global issues we're facing would say that there's no solution without nuclear. So, we see a lot of opportunity ahead of us with demand for safe, reliable, affordable, and carbon free baseload electricity coming from across the globe.

As a responsible commercial supplier with a strong balance sheet, long-lived tier one assets and a proven operating track record, and line of sight to return to our tier one cost structure, we at Cameco believe we are extraordinarily well positioned to respond to changing market dynamics.

We're excited about the future we're seeing for nuclear power generation. We're excited about the fundamentals for nuclear fuel supplies, and we're excited about the prospects for our Company. We will continue to do what we said we would do. Executing on our strategy and consistent with our values, we will do so in a manner we believe will make our business sustainable over the long term. We will continue to make the health and safety of our workers, their families and their communities our priority.

Thanks again, everybody. Stay safe and healthy and talk to you again soon. Thank you.



**OPERATOR:**

This concludes the today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.